Association of European Airlines

# Position Paper

11 April 2011

## AEA POSITION ON SUSTAINABLE AVIATION FUELS

## BACKGROUND INFORMATION

### AEA airlines' commitment to reduce their emissions

The Association of European Airlines (AEA) brings together 36 major airlines. It has been the voice of the European airline industry for over 50 years.

Even though European aviation only accounts for 0.5% of global CO2 emissions,[1] AEA airlines are at the forefront of the industry's efforts to reduce its impact on climate change, and play a key role in meeting the following worldwide industry targets:

1. To improve fleet fuel efficiency by 1,5% per year until 2020;
2. To cap net emissions from 2020 through carbon neutral growth; and
3. By 2050, to halve net aviation carbon emissions compared to 2005 levels.

AEA advocates a four-pillar strategy to mitigate the impact of air transport on climate change, whereby emissions reductions should be pursued through:

1. Technological progress, including the development of alternative fuels;
2. Improved air traffic management and airport infrastructure;
3. The optimization of operational measures; and,
4. A non-distortive global cap-and-trade mechanism.

In particular, it has become clear that the sustainable development of aviation is inseparable from low-carbon aviation fuels. It is estimated that the EU aviation industry alone would require around 14 billion gallons of biofuel in 2030 in order to achieve carbon neutral growth solely on biofuel.[2]

Several AEA airlines have already carried out breakthrough test flights, have launched initiatives to produce biomass, participate in biofuel production projects, and plan to operate commercial flights powered by biofuels blends in 2011.

### Policy framework

At the global level, the United Nations' specialized body for aviation, the International Civil Aviation Organization (ICAO), in 2010 adopted a resolution requesting States to develop policy actions to accelerate the development, deployment and use of sustainable aviation fuels.

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[1] Source: AEA.

[2] Source: EQ2.

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At the regional level, Europe has committed to transforming itself into a highly energy efficient, low carbon economy. In particular, the European Commission's 2011 White Paper on transport sets a target of 40% use of low-carbon fuels in aviation by 2050.

However, the current policy and regulatory framework does not lay down the proper foundations to foster the development of sustainable aviation fuels:

- The Renewable Energies Directive (Directive 2009/28) requires the share of energy from renewable sources in all forms of transport in 2020 to be at least 10% of the final consumption of energy in transport. However, although the consumption of biofuels in air transport will help Member States to comply with their targets, the Directive's focus on other modes of transport may have an adverse impact on the availability of biomass for air transport.
- Under the EU Emissions Trading Scheme (EU ETS - Directive 2008/101), emissions from aviation are capped at 97% of historical emissions for 2012, and 95% for the period 2013-2020. Furthermore, 15% of aviation's allowances are to be auctioned. Even though the EU ETS framework gives credit to aircraft operators for their use of biofuels, in practice, their consumption cannot be reported since the accounting methodology requires the physical tracking of the individual fuels consumed, which is impossible considering the specificities of the aviation fuel supply chain.

Furthermore, the European Union and several national governments have introduced or are considering additional taxes on air transport. However, taxation has undesirable consequences for sustainable development as it reduces the industry's capacity to invest in greener technologies and to generate employment.

More efficient and positive opportunities to green air transport include the Seventh Framework Programme for Research and Technological Development (FP7) or the NER300 programme. By funding research into alternative aviation fuels, such programmes can not only contribute to Europe's environmental objectives, but also increase its competitiveness and respond to its employment needs.

## Towards the deployment of sustainable aviation fuels

To achieve the aviation industry's target of carbon neutral growth from 2020, an extremely high ramp up in the production of biomass is required.

The SWAFEA Study, initiated by the Commission, concluded that sustainable alternative fuels for aviation are not expected to become profitable before 2020, and then only if €15bn are invested.

By 2020, it is estimated that EU Member States will have collected over €7bn from airlines through the auctioning of EU ETS aviation allowances. If invested to support the industry's efforts to reduce its environmental impact, these revenues could contribute significantly to the objectives of the EU ETS by fostering the sustainability of European air transport.

## POSITION STATEMENT

AEA airlines are strongly committed to mitigating their impact on climate change.

Sustainable aviation fuels will play a key role in meeting air transport's emissions reduction targets.

A predictable, practical and non-distortive regulatory framework is needed to catalyse the deployment of sustainable aviation fuels.

### 1. Only truly sustainable aviation fuels are acceptable

Only fuels that allow net reductions of emissions over their whole life-cycle without compromising food and water supplies, biodiversity, and socio-economic priorities are an acceptable alternative for AEA airlines.

The definition of a clear and stable regulatory framework for alternative fuels will contribute to creating a predictable and favourable environment for the deployment of sustainable aviation fuels.

However, the standards, methods and definitions applicable to sustainable aviation fuels need to be harmonized worldwide in order to avoid barriers to their large scale deployment.

For these reasons, **AEA urges the European Union to work with its international partners to define common standards and specifications, including sustainability criteria, for alternative aviation fuels.**

### 2. Efficient incentives are essential

The accounting methodology set in the EU ETS monitoring, reporting and verification (MRV) guidelines is not suitable for the supply of aviation fuels and does not take into account the constraints of airport infrastructure.

A workable MRV accounting methodology is needed to trigger the potential of the EU ETS to act as an incentive for the use of sustainable alternative fuels.

Considering the specificities of the aviation fuel supply chain, a purchase-based methodology would most accurately reflect the consumption of low carbon fuels.

However, as a purchase-based methodology would allow operators to be credited for the purchase of sustainable aviation fuels consumed on flights not covered by the EU ETS, safeguards are required to preserve the regional and environmental integrity of the EU ETS and ensure an equitable treatment of operators.

For these reasons, **AEA asks the Commission to ensure that the future EU ETS monitoring and reporting regulation allows aircraft operators to monitor and report their consumption of biofuels using an equitable and non-distortive purchase-based accounting methodology.**

## 3. Distortive regulatory requirements must be avoided

Mandatory targets for the use of energy from renewable sources have been adopted for other transport modes and might be seen as an appropriate incentive for the deployment of sustainable aviation fuels.

However, because air transport is international in nature, unilateral European measures would lead to distortions detrimental to European air transport.

In particular, the additional fuel costs that would result from binding unilateral quotas for the use of biofuels in air transport will have a negative impact on European airlines.

Considering that it is in the interest of airlines to increase their use of sustainable alternative fuels, their promotion can be best achieved through positive incentives.

For these reasons, **AEA insists that the European Union should refrain from implementing binding unilateral targets that may hinder the competitiveness of European airlines.**

## 4. Member States must honour their commitments

Directive 2008/101 states that revenues from the EU ETS should be used to tackle climate change.

Under the auspices of ICAO, EU Member States recognized that revenues derived from emissions-related levies must be applied in the first instance to mitigating the environmental impact of aircraft emissions.

For these reasons, **AEA calls upon the European Union and national governments to increase their financial support to the deployment of sustainable aviation fuels and to facilitate investment in the construction of production plants.**